

Cibola Resources, LLC

18032 County Road G
Cortez, Colorado 81321
Phone: (970) 426-2924



January 21, 2026

Permit: CI018EM
MOD 26-1

VIA EMAIL AND U.S. MAIL

Samantha Rynas, Reclamation Specialist
New Mexico Mining and Minerals Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505
Samantha.Rynas@emnrd.nm.gov

RE: Modification for Cebolleta Exploration Project, Permit No. CI018EM

Dear Ms. Rynas,

With this letter, Cibola Resources, LLC (Cibola) proposes drilling operations at locations already approved under the Cebolleta Exploration Project, Permit No. CI018EM (CEP) issued by the New Mexico Mining and Minerals Division (MMD) on July 25, 2023, and renewed on July 1, 2025.

For background, twenty-one of the twenty-two CEP drilling locations were drilled by Cibola in the fall of 2023. The resulting 2.5 acres of surface disturbance were reclaimed during winter/spring of 2024, and release of the 2.5 acres of disturbance was issued by MMD on June 25, 2024. Cibola understands that MMD will allow a one-time roll over of surface disturbance, and that the release of the 2.5 acres in 2024 effectively reset the surface disturbance to 0.0 out of a maximum of 5.0 acres allowed under §19.10.3.302 A.

Cibola kept CEP active to either re-drill at the same locations and/or drill at new locations once approved under modification(s). The Certificate of Deposit Agreement for Financial Assurance (FA) remains valid and fully funded with the principal balance of \$125,000.00 plus interest. On January 13, 2025, MMD issued the North Cebolleta Exploration Permit (NCEP), Permit No. CI019EM, for drilling at other locations. MMD considered CEP and NCEP to be interrelated activities and stipulated that combined surface disturbance between CEP and NCEP cannot exceed 5.0 acres. NCEP has a separate FA instrument, fully funded with \$252,500.00 plus interest. Combined FA is \$377,500 for these interrelated permits.

At this time, Cibola is proposing to re-drill at four of the locations approved under CEP; the locations are RLB-83, LJ-5, LJ-25, and A-12 and are displayed in the maps in the Permit Application Package (PAP). The purpose of re-drilling these locations is to collect core through the mineralized zone in the Jurassic Jackpile Sandstone for metallurgical tests at an offsite laboratory. The drilling method would be wireline diamond core, enabling core samples to be collected from surface to total depth. The total depth of holes at each location are anticipated to be less than the average 340-foot depth approved for each CEP location.

To obtain sufficient sample material for the metallurgical tests, up to four sections of core may be needed from each location. Depending on results, this could entail drilling up to four closely spaced vertical twin holes from each drill pad, with each collar horizontally offset by approximately three feet. Cibola anticipates operating approximately within the same disturbance footprint as the 2023 drilling at each of the above locations. In the event the actual pad footprints exceed prior estimates, Cibola will ensure that no

disturbance occurs outside of the Permit Area (i.e. the cultural and biological clearance area). Upon completion, surface disturbance will be measured and deducted from the total allowance of 5.0 acres.

Based on 2023 disturbance and from the maps in the PAP, combined surface disturbance at these four locations is estimated to be less than 0.5 acres. The cumulative maximum borehole volume to be plugged and abandoned would be 818 cubic feet based on 5.25-inch boreholes totaling 5,440 feet from 4 boreholes at 4 locations with a max depth of 340 feet. Cibola believes the resulting Financial Assurance required for this drilling would be \$85,060, as further outlined below:

Surface Disturbance

Total Acres:	0.50
First Acre:	\$ 8,900
Next Acres:	\$0
Subtotal:	\$ 8,900

Exploration Activities

Boreholes:	16
Depth of each (ft):	340
Total Footage:	5,440
Cost per Foot:	\$14.00
Subtotal:	\$ 76,160

TOTAL FINANCIAL ASSURANCE REQUIRED: \$ 85,060

This amount is \$39,940 less than the current CEP FA, but Cibola expects to request future modifications and is not seeking a FA reduction at this time.

Enclosed is a Word document comparing CEP and NCEP language, with NCEP changes in redline. Unlike the original CEP requirements for cuttings and fluids management, Cibola proposes adopting the following permit conditions from NCEP as outlined in their respective sections:

Section 3. Permit Area

- Final configurations of overland access and drill pads will be based on actual field conditions during exploration operations in order to minimize disturbance and accommodate drilling and reclamation activities. Configurations of overland access and drill pads depicted in the PAP are estimates and are not exact.
- No surface disturbance may occur outside of the Permit Area or within the cultural exclusion areas depicted in the PAP (note, there are no cultural exclusions areas in the CEP Permit Area).

Section 10. General Obligations and Conditions: *Description of Project/Authorized Disturbances*

- The Permittee is authorized to create drill pad surface disturbance areas approximately one-hundred feet by sixty feet (100' X 60') to accommodate all support equipment, including the drill rig, pipe truck, geophysical truck, water truck, and similar items, including mud/drill cuttings disposal pits within the drill pad areas. Mud pits will be sized approximately 10 ft. wide, 20 ft. long, with a depth of 8ft.
- Unmineralized (non-uranium bearing) and mineralized (uranium bearing) drill cuttings can be buried/disposed of and reclaimed within the drill pad surface disturbance area and backfilled

mud pit. In accordance with the Mining and Minerals Division Guidance Document for Part 3 Permitting Under the New Mexico Mining Act, Section 2.6.1, all drill cores not removed from the site and cuttings that show gamma radiation in excess of background levels shall be buried and covered with no less than three (3) feet of earthen material to reduce gamma radiation exposure to background levels.

- The Permittee is responsible for performing a baseline gamma radiation survey prior to drilling activities as well as a follow up radiation survey at the end of drilling activities in accordance with the Mining and Minerals Division Guidance Document for Part 3 Permitting Under the New Mexico Mining Act, Section 2.5. These surveys shall be submitted as part of the termination report at the end of reclamation.

Section 10. General Obligations and Conditions: *Best Management Practices to be Performed*

- Mud pits are anticipated to be approximately 10 ft. wide, 20 ft. long and 8 ft. deep. Material generated during excavation of mud pits or sumps will be utilized to create an earthen berm that will partially surround each mud pit or sump area to prevent any run-on or run-off from precipitation events flooding onto, or escaping, the mud pits, sumps or the drill pad site. Discharge of any water or any drilling fluids, to the ground surface or to an ephemeral watercourse ("Waters of the U.S."), may be a violation of the Clean Water Act and is prohibited.

Section 10. General Obligations and Conditions: *Borehole and/or Well Abandonment*

- When all drilling, testing, and hole abandonment activities are complete for each site, the mud pits shall be allowed to evaporate and to dry sufficiently to allow backfilling, then backfilled and recontoured to create positive drainage and reduce erosion. Materials surrounding each mud pit, and used in constructing pit-containment berms, will be backfilled to provide excess fill to account for potential subsidence and settling. Prior to final grading and seeding, mud pit areas will be covered with topsoil. At all times mud pits must still conform to all conditions of the Permit.

Section 10. General Obligations and Conditions: *Project Completion Timeline/Termination Report Requirements*

- Reclamation of radiation will be considered adequate if the post-reclamation gamma radiation level is equal to or less than the baseline 95th percentile value based on in-field measurements in accordance with the Mining and Minerals Division Guidance Document for Part 3 Permitting Under the New Mexico Mining Act, Section 2.5.

Cibola is not proposing any other modifications to the CEP permit. Cibola acknowledges all other conditions of the CEP permit remain in effect, including but not limited to: obtaining permits from the New Mexico Office State Engineer; implementing best management practices for erosion control, spill prevention and drilling operations; performing the stipulated borehole plugging and abandonment procedures; completing timely surface reclamation; and providing a final closure and reclamation report(s).

Also, enclosed is the minimal impact modification fee of \$250.00 (Check No. 1053). Please let us know if you need any additional information or if any additional actions need to be taken by Cibola to effectuate this modification.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Thompson', with a stylized, cursive script.

Mike Thompson, CPG
Manager

Enclosures: 2026_0120_NCEP_vs_CEP_doc_compare.docx (via email only)
AFFUSA LLC Check No. 1053 (\$250.00)

Ec: Bob Newcomer, Toltec Mesa Resources, LLC